

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**California Independent System) Docket Nos. ER03-683-____
Operator Corporation)**

**MOTION FOR CLARIFICATION OR, IN THE ALTERNATIVE,
REQUEST FOR REHEARING OF THE CALIFORNIA INDEPENDENT
SYSTEM OPERATOR CORPORATION**

Pursuant to Rules 212 and 713 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.713, the California Independent System Operator Corporation (“ISO”)¹ respectfully submits this motion for clarification or, in the alternative, request for rehearing of the “Order on Compliance Filing” issued in the above-captioned proceeding on April 16, 2004, 107 FERC ¶ 61,042 (“Amendment No. 50 Compliance Order”), and the “Order on Rehearing” issued in the above-captioned proceeding on that same date, 107 FERC ¶ 61,028 (“Amendment No. 50 Rehearing Order”).² In support thereof, the ISO states as follows:

I. BACKGROUND

On March 31, 2003, the ISO filed its proposed Amendment No. 50 to the ISO Tariff (“Amendment No. 50”) to provide for a revised method for managing Intra-Zonal Congestion and to permit the ISO to share generator outage information with entities operating transmission and distribution systems affected

¹ Capitalized terms not otherwise defined herein have the meaning set forth in the Master Definitions Supplement, Appendix A to the ISO Tariff.

² The ISO is submitting a filing to comply with the Amendment No. 50 Compliance Order concurrently with the instant filing.

by the outage. In an order issued May 30, 2003 (“May 30 Order”), the Commission accepted, subject to modification, the ISO’s proposed Amendment No. 50 and directed the ISO to submit a compliance filing within 30 days.³ The Commission approved the ISO’s proposal to use proxy bids to manage Intra-Zonal Congestion and mitigate local market power but limited its application to decremental bids. Moreover, the Commission directed the ISO to use reference prices instead of cost-based proxies for decremental bids that were to be administered by an independent entity and applied to all generators, both thermal and non-thermal. In addition, the ISO’s proposal to publish generating limits was rejected.

On June 30, 2003, the ISO submitted a compliance filing in response to the May 30 Order. On July 18, 2003, the ISO submitted an addendum to its compliance filing. On April 16, 2004, the Commission issued its Amendment No. 50 Compliance Order and Amendment No. 50 Rehearing Order in the above-captioned proceeding.

II. MOTION FOR CLARIFICATION OR, IN THE ALTERNATIVE, REHEARING

A. Restoration of the Use of Real-Time Adjustment Bids

In its Amendment No. 50 Compliance Order, the Commission directs the ISO to restore the use of real-time Adjustment Bids in section 2.1 of Operating Procedure M-401. Amendment No. 50 Compliance Order at P 49. On July 8, 2003, however, the ISO filed with the Commission Amendment No. 54 to the ISO Tariff, in which the ISO sought, among other things, to eliminate the use of

³ *California Independent System Operator Corporation*, 103 FERC ¶ 61,265 (2003).

Adjustment Bids for managing Inter-Zonal and Intra-Zonal Congestion in real time. The ISO noted that it would continue to use Adjustment Bids to manage Inter-Zonal Congestion in the forward markets, but explained:

SCs currently submit Adjustment Bids to the ISO in incremental/decremental pairs on opposite sides of an Inter-Zonal interface. The amount an SC is willing to pay to transmit Energy across the Congested interface is determined by the difference between the incremental and decremental bids, not by the absolute value of the bids. Consequently, SCs often refuse to perform when the ISO Dispatches “one side” of an Adjustment Bid as if it was an Energy bid. Furthermore, Adjustment Bids are submitted to and used by the ISO’s Congestion Management System and are not automatically transferred to the ISO’s real-time BEEP system. Finally, Adjustment Bids and Supplemental Energy Bids may overlap the same capacity, creating two prices for the same capacity and negating the purpose of the Single Energy Bid Curve.

July 8 filing letter at 21. Accordingly, the ISO proposed to modify Tariff Sections 2.2.15, 7.2.4.1.4, 7.2.6.2, Dispatch Protocol Sections 8.2 and 8.4, Schedules and Bids Protocol Section 2.1.1 and 4 and Settlements and Billing Protocol Appendix B Sections 2.1, 2.1.1, 2.2, 2.2.1, 3.1, 3.2, 3.3, 3.5, 3.6 and 3.7 to eliminate using Adjustment Bids to manage real-time Inter- and Intra-Zonal Congestion.⁴ On October 22, 2003, the Commission issued an order in which it stated that it “accepts the [ISO’s] proposal to eliminate the use of Adjustment Bids for managing Intra-Zonal and Inter-Zonal congestion in real-time.”⁵

In light of the Commission’s ruling with respect to Amendment No. 54, the ISO seeks clarification as to the Commission’s intent with respect to the need to revise procedure M-401. In the alternative, the ISO respectfully requests

⁴ Transmittal Letter for Amendment No. 54 at 21. The ISO stated that it would continue to use Adjustment Bids in the forward markets to manage Inter-Zonal Congestion. *Id.*

⁵ *California Independent System Operator Corporation*, 105 FERC ¶ 61,091, at P 69 (2003).

rehearing of the directive in the Amendment No. 50 Compliance Order requiring the ISO to restore the use of real-time Adjustment Bids to procedure M-401. For the reasons previously accepted in Docket No. ER03-1046 on Amendment No. 54, the ISO Adjustment Bids should only be used to manage Inter-Zonal congestion in the forward markets.

B. Payment of Start-Up Costs to a Unit When it is Shut Down to Manage Intra-Zonal

In the Amendment No. 50 Compliance Order, the Commission noted intervenor Border Generation Group's concerns that a unit should be paid its start-up costs when it is shut down to manage Congestion. Amendment No. 50 Compliance Order at P 38. The Commission also noted the ISO's willingness to amend its tariff to pay start-up costs when a unit is shut down to manage Intra-Zonal Congestion. *Id.* at P 41. However, while noting these positions, the Commission subsequently did not expressly direct the ISO to include start-up costs in the compliance filing directed by the Amendment No. 50 Compliance Order. Given the absence of a dispute between the ISO and the Border Generation Group, the ISO assumed that the Commission intended the ISO to include recovery of these costs in the ISO Tariff and proposes to include them in the compliance filing submitted concurrently with this request. As a precautionary measure, the ISO seeks clarification that this was the Commission's intent.

C. The Relationship of Amendment No. 50 to the Metered Subsystems Agreement

In its request for rehearing of the May 30 Order, intervenor City of Santa Clara, California, doing business as Silicon Valley Power (“Santa Clara”), stated that the Commission failed to address Santa Clara’s concerns that Amendment No. 50 may violate or contradict the ISO’s obligations under the terms of the Metered Subsystems Agreement (“MSS Agreement”) between the ISO and Santa Clara. In response, in the Amendment No. 50 Rehearing Order, the Commission directed the ISO to explain why its proposal does not contradict or violate the MSS Agreement. Amendment No. 50 Rehearing Order at P 14.

Upon further review, the ISO believes that while the MSS Agreement allows the ISO to dispatch MSS resources to mitigate a real-time System Emergency, and that a real-time System Emergency could occur if Intra-Zonal Congestion was not managed before real time, the intent of the MSS Agreement is for the ISO to take necessary actions prior to real time to mitigate Intra-Zonal Congestion so that the ISO will not need to re-dispatch MSS resources to mitigate a System Emergency. The ISO therefore proposes to exclude MSS resources from the re-dispatch process set forth in Section 7.2.6 of the ISO Tariff, except as provided for in the MSS Agreement.

III. CONCLUSION

Wherefore, for the foregoing reasons, the ISO respectfully requests that the Commission clarify, or in the alternative grant rehearing, as described above.

Respectfully submitted,

/s Anthony J. Ivancovich

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Date: May 17, 2004



May 17, 2004

Via Electronic Filing

The Honorable Magalie R. Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: California Independent System Operator Corporation
Docket No. ER03-683-____**

Dear Secretary Salas:

The California Independent System Operator Corporation ("ISO") respectfully submits for electronic filing this Motion for Clarification, or in the Alternative, Rehearing in response to the Commission's "Order on Rehearing" issued in the above-referenced proceeding on April 16, 2004, 107 FERC ¶ 61,028.¹

Thank you for your assistance in this matter.

Respectfully submitted,

/s Geeta Oberoi

Geeta Oberoi
Counsel for the California ISO

¹ The ISO notes that, concurrent with the present filing, it is also submitting a compliance filing in the above-referenced docket.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in the above-captioned proceeding.

Dated at Folsom, CA on this 17th day of May, 2004.

/s Geeta Oberoi
Geeta Oberoi